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Peter Cooper

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The decline in the status of household decision making

by Peter Cooper
University of Manchester

This paper attempts to set out the contemporary conditions of decision making. Three distinctive systems are defined—Rigid and Controlled, Loose and Uncontrolled, and Loose and Controlled Budgeting. Only the first approximates to classical theory requirements.

INTRODUCTION

This paper presents a theory of change in household decision making. The general contention is that household decisions are a function of family and social organisation. Over the last few decades family organisation has undergone and is continuing to undergo major changes. Consequently, it is to be expected that the way in which decisions are made, and their significance to the decision maker, will also have changed. An attempt is made to describe some of these changes at least as they appear upon the U.K. marketing scene.

The changes to be described have been accompanied by, and have been partly caused by a number of political, economic and technological factors. For example: sharp increases in personal income and 'discretionary' income; rising teenage expenditure; the availability of liquid assets, the use and acceptance of credit; increasing personal mobility, and changes in the organisation of and access to retail outlets. These effects are not examined in detail here. They have been ably dealt with by a number of researchers, for example, Katona, Abrams, and many others. Instead, an account is given of *micro-economic* factors bearing upon decision making and choice behaviour.

PROPOSITIONS

The main hypotheses upon which this paper is based are as follows:

1. The growing isolation of the small urban or 'nuclear' family unit cuts off the housewife and her husband from shared skills and values of the traditional 'extended' family grouping.
2. Skills of choice taught by the parents are often

inappropriate in deciding between products and brands where substantial technological and fashion changes have taken place.

3. Emancipation of the woman through education and mobility tends to push down the status of 'good' household management and traditional housewifery skills.
4. Technical sophistication in brand manufacture has tended to reduce the objective differences between brands, thus throwing the onus of decision onto psychological and 'image' factors of brands.
5. In a state of ignorance about product characteristics, consumers assume that quality is correlated with price, company, brand and outlet images, packaging and advertising, and 'irrelevant' product features.
6. Influences of mass media tend to cut across previous family and social values. The results are popular fashion and brand preferences, when previously individual differences in preferences may have cancelled one another out.

Some illustrations of the ways in which these propositions appear to operate in the market place are briefly set out.

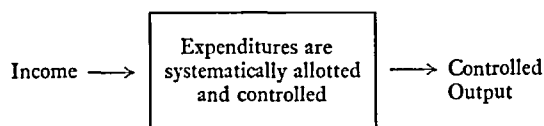
EXAMPLE 1: CHANGES IN HOUSEHOLD BUDGETING

Three clear types of budgeting practice can be identified.

Type A: Rigid and Controlled Budgeting

Available income is allotted into different categories according to types of household, family and personal expenditure involved. In the extreme, each part is inelastic with the other part. Money is

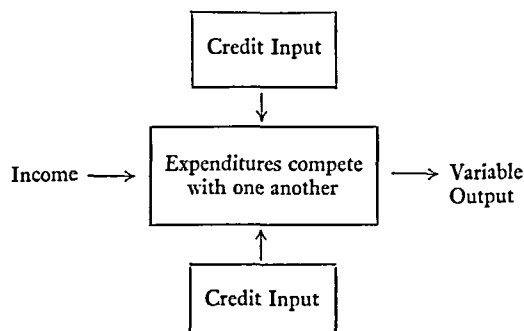
set aside for a specific purpose and cannot lend to another part nor borrow.



This is the traditional case, which has provided a model for Classic Economics on the one hand, and for moral judgements of 'good housekeeping' on the other. Budgeting has high status in the housewife's role. She is closely identified with housekeeping responsibilities, and exercises substantial skill in choice. The rules which she sets up defend the family against pressure from the environment and from the family's own demands. Characteristically, rigid and controlled budgeting is associated with large and loose-knit family groupings.

Type B: Loose and Uncontrolled Budgeting

Between each item of expenditure there is considerable cross-elasticity. Fuel accounts, for example, compete with savings, expenditures on clothes, house repairs, personal hobbies, etc. The household is unlikely to have fixed savings strategies or planned purchases in mind. It relies heavily upon the availability of credit, and is extremely vulnerable to economic pressures and national restrictions.

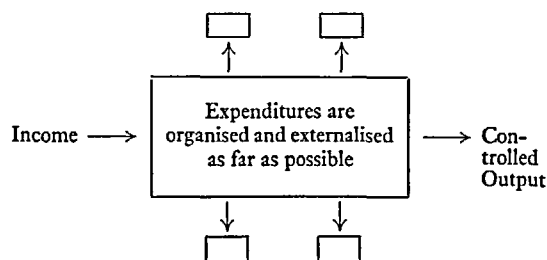


This model represents a deliberate rejection of the rules of budgeting. The housewife's role has substantially changed, and other household members are introduced. As a system it is obviously overlaid

with anxiety, partially because it involves rejecting rules of good management, and partially because of environmental fluctuations. Accordingly, households operating this system may oscillate between it and rigid and controlled budgeting, especially when faced with major expenditures. The family is likely to be of a nuclear, close-knit form, that is, detached from traditional housekeeping rules.

Type C: Loose and Controlled Budgeting

The household here tries to relieve itself of the strain of choice by externalising the responsibility for household decision making to outside agencies (bankers, standing orders, mail order, consumer guides, shopping services).



Household decision making has lost the salience which it has in the previous models. Husband and wife share responsibilities for decisions, but these rate relatively lower than other features of domestic life. The family has adapted to nuclear urban environments.

It is proposed that there is a steady movement away from the first, *Rigid and Controlled Budgeting*, through the second transient stage, *Loose and Uncontrolled Budgeting*, towards *Loose and Controlled Budgeting* as the ultimate form of Family Behaviour.

EXAMPLE II: CHANGING SOURCES OF INFLUENCE

The increased economic importance of the teenager in post-war years, by comparison with earlier generations, has been described by Mark Abrams¹

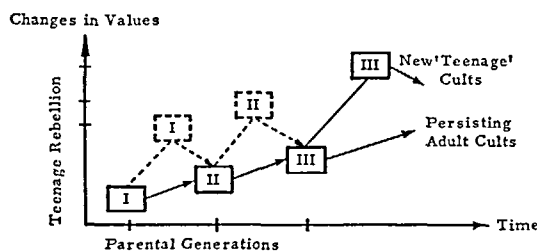
¹ Mark Abrams, *Teenage Consumer Spending in 1959*, London, 1960.

and others. Teenagers and young adults are also demonstrating their power on political and social fronts, as well as in the economic arena.

The effect of these changes appears to be to shift opinion-leading in the direction of Youth. Correspondingly, the skills and sagacity of age have tended to lose their status.

The following diagram (Fig. 1) attempts to set out the traditional cyclic effect of successive Teenage Rebellions in previous generations (I and II), contrasted with the apparently enduring New 'Teenage' Cults of the present generation (III).

Figure 1. Emergence of New Cults of Influence over Time



In earlier generations, each Teenage Rebellion produced a change which was absorbed within the prevailing parental culture, thus giving rise to a slow but steady evolution of values. In the present generation, however, a more substantial change appears to be taking place. The traditional 'rebellion' has developed its own momentum. The probable changes in the future are that the new Cults will be taken as reference points for adult opinion, rather than *vice versa* as in the past. 'Teenage' and parental values now exist on a basis of equal power and validity, thus being a source of some confusion for the orientation of the individual.

The existence of a 'teenage' culture in its own right warrants, at least in some product fields, a complete break with the traditional values. Obvious cases of this occur in fashion, i.e. the break with the *Hollywood Cult* and the invention of the *Cult of Naturalism*, where premiums are attached to agility, slimness, simplicity and youth. More profound

cases occur in baby care, education, and the purchase of technical durables. In these latter cases, the skills of choice which may be imparted by parents during childhood are simply inappropriate to modern technology.

EXAMPLE III: RISK TAKING

All decisions involve uncertainty. Doubts are generated by the pros and cons of the number, nature, benefits or cost of the available alternative. The extent to which the housewife may waste money means that she also faces *risk*. Risk is not merely financial, either to her immediate budget or to future repairs or replacements, but includes loss to her self-esteem, failure in her role as a wife and mother, and loss of face amongst her friends. The decision maker is, therefore, under considerable pressure to reduce risk and its accompanying anxiety, or otherwise to devise means of resolving risk.

A number of risk-resolutions are available to her:

1. Scrutinise alternatives. The assembly of impartial information through uncommercial or 'expert' sources, e.g. consultants, magazines, newspaper articles, as well as detailed study by the housewife and her husband.
2. Use related cues. For example, Price, Company Images, Respected Outlets, are traditionally associated with value. This is a working solution where full information is not available.
3. Avoid hazardous decisions. The decision maker can rely upon past experience—'brand loyalty'—which is often little more than a device for securing confidence. Anxiety is reduced to a minimum; but, by doing this, she rejects change and innovation.
4. Wait. Planning to spend, for example on consumer durables, can pass through a lengthy 'incubation period'. In this way, she can accelerate or delay spending. To wait (saving) or to engage in 'diversionary' activity (buying in a completely different product field), permits the consumer to resolve risk of when and what to buy.
5. Follow Fashion. Imitating other people's

choices externalises the risk. Mass media aid this purpose by confirming widespread preferences.

6. Flirt with risk as in gambling. That is, deliberately choosing an alternative with a high pay-off value, but which has little chance of success (bargains). An example of a correlated activity is the choice of an outlet which resembles a casino, thus making shopping 'fun'.
7. Ignore the risk. Choose alternatives at random, irrespective of cost, pay-off, or value. Lack of time, out at work, are often put forward as reasons for opting for this alternative.

In all of these risk-resolutions, the operative features are the perceived risk, information, pay-off, etc., and not their actual values. For example, the amount of information which is believed to be required to solve a problem increases approximately logarithmically with the complexity of the problem.²

Only the first of these alternatives—Scrutinising—is at all compatible with formal Decision Theory. The others, in one way or another, are 'pathological' risk-resolutions. Yet, for reasons of her changing role, her inappropriate or absent skills, etc., she is forced to choose solutions which are more or less irrational. Even 'scrutinising alternatives' is a questionable solution. This case and an example of the second risk-resolution—'Use Related Cues'—will be taken a little further.

(A) 'EXPERT INFORMATION'

To provide information for decision makers, formal services in various countries have been instituted. In the United Kingdom, for instance, the Consumers' Association was founded in 1957, and amongst other activities conducts tests on brands within product fields. Its magazine—*Which?*—has tripled its circulation in the last eight years from 170,000 (March 1960) to 530,000 (March 1968). The magazine communicates to many more consumers through readership, other media, etc., as well as influencing manufacturers.

² J. Cohen and P. Cooper, 'Subjective value of a "bit" of information', *Nature*, 1962, 196, p. 360

The philosophy of *Which?* appears to be partly to supply information to 'Loose' household budgeteers and partly to represent the dated moral ethos of 'Rigid and Controlled' budgeting. The former assumes that the decision maker is in a position to evaluate information, as well as having the courage to make a decision. In fact, the changing patterns of budgeting suggest that he or she is more likely to want to be 'told' what to buy. This gives rise to the Consumers' Association's difficulty in reconciling the information-giving function with the decision making function. If information only is given, naïve decision makers collect more and more information until they 'burst' or are panicked into random choice.

The requests for product tests by members of the Association replying to questionnaires confirm that risky decisions deal with new products (for them) or products with special innovatory features (Table 1).

This data is not conclusive, since the interests of owners and non-owners are not distinguished, nor is the sample specially representative. Nevertheless, the index of confidence in the final column (given by the ratio of Intended Purchases over Tests wanted)

TABLE 1: Ten most popular requests for product tests, showing ownership and plans for purchase.

Product	Percentages (N=2748)			Ratio of purchase/ test (Confidence)
	Present owner- ship	Intended purchase in next 18 months	Tests wanted	
TV Sets	72	16	7	2.3
Vacuum Cleaners	86	14	7	2.0
Radios	100	12	8	1.5
Tyres	74	20	14	1.4
Cookers	95	14	12	1.2
Mattresses	100	11	10	1.1
Central Heating	43	22	25	0.9
Ciné Cameras	18	6	7	0.9
Cameras	78	7	9	0.8
Radiograms	28	5	7	0.7

Source: Extracted from 'What do you want' in *Which?*, Results of a Questionnaire sent to members of the Consumers' Association, November 1964, Jeremy Mitchell, March 1965 (Typescript).

suggests that: *firstly*, doubts are strongest when the respondent has little or no experience of the product field (e.g. Ciné Cameras, Central Heating), and *secondly*, where the field is marked by innovations (e.g. Cameras, Mattresses).

(B) CUE OF PRICE

The alleged relationship between price and quality has a long history. In England at least it is echoed in the monumental and influential works of Mrs. Beeton. 'It is a poor economy to buy goods of inferior quality because they appear to be cheap—the best will prove to be the cheapest in the end'. Gabor and Granger have formalised this meaning of price in an important series of papers.³ Thus, the price of an item does not merely tell the housewife what she must pay, but also provides her with information on the quality of the product. Gabor and Granger suggest that consumers have a range of prices in mind, delimited by a 'too-cheap' price and a 'too-dear' price. Pricing can be equally misplaced if it is too cheap as well as if it is too dear. A 'Buy-Response' function is extracted from these propositions, being a log normal curve of price against probability of purchase.

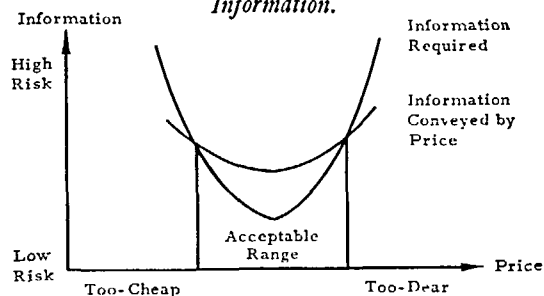
As a cue to value, price reduces risk if the price asked is within the expected range. Thus, risk appears to follow a U-shaped function. That is, more information is required at the bargain and the too-dear price levels. Outside these limits, decisions are too risky. A neat measure of information required in these regions is the number of additional questions which buyers ask.

Figure 2 sets out the apparent relationship between Price and Information. The two curves how: *firstly* the information required at different prices, and *secondly* the information conveyed by price. At the 'too-cheap' and 'too-dear' levels, the information required increases more rapidly than the information conveyed by price.

Consider the example of purchases of packaged family cake. Below 2s. 3d., cake is 'too cheap'. At prices around this level, the consumer asks questions

or scrutinises the product (e.g. 'What's it like?', 'Is it fresh?'). If the information is not available, she is forced to flirt with risk—gamble; if satisfactory information is obtained, she secures a bargain as a

Figure 2. Apparent relationship between Price and Information.



reward for her effort and skill. Above 3s. 6d., cake is 'too dear'. At prices around this level, the consumer also asks questions (e.g. 'What's in it?', 'Is it home-made?') 2s. 9d. is stated as the 'ideal' price to pay in order to minimise risk at an acceptable budgetary level. Within the acceptable price range, price itself is redundant and adds security to the choice. The actual choice is then made on the basis of imagined relevant (e.g. visual, tactile) or of what may be irrelevant (e.g. brand, pack design) cues.

CONCLUSIONS

The earlier propositions and the examples discussed permit some predictions to be made about future decision makers. Some of the practical conclusions are:

1. Decisions are increasingly likely to be shared between wife and husband. Parts played by children, and specifically teenage members, may be expected to create total involvement of the household.
2. Decisions can be anticipated from outside the household itself. Mail Order is a specific and exuberant example of 'externalising' decision responsibility, as well as taking advantage of simple credit facilities.
3. Correspondingly, development of Consumer Associations is likely to take place, both to provide information and to combat the alleged

³ Notably, A. Gabor and C. W. J. Granger, 'Price as an Indicator of Quality', *Economica*, February 1966, pp. 43-70.

deterioration in housewifery standards as the woman's role in the house declines.

4. Consumers appear to be more likely to rely upon subjective information about products, and to use price and other cues as guarantees against error and risk in decision making.
5. Many of the traditional skills appear to be likely to be replaced by fun in shopping.
6. Consumers can be expected to 'buy' information in order to solve increasingly complex problems imposed by technological advance.

The theory to be put forward is based upon the three forms of budgeting which have been identified. It is proposed that each form exists to some extent in the market place at present, but that there is a steady movement towards the third form. To some extent they represent increasing levels of affluence, but each form betrays a model of decision making, irrespective of income level.

The salient characteristics of each of the forms of budgeting are indicated in Table 2.

TABLE 2: The major characteristics of the three budgeting systems.

Variables	<i>Budgeting systems</i>		
	Rigid and controlled (A)	Loose and uncontrolled (B)	Loose and controlled (C)
Decision Maker(s)	Housewife	Family	Family <i>plus</i> 'Experts'
Sources of information	Learned Skill	Irrelevant Cues	Information Bought
Quality of Decision	Routine	Dramatised	Peripheral <i>or</i> Externalised

The first case (A) approximates to classical Economic Decision Theory. The traditional assumptions made are that consumers follow simple and rational motives in order to 'maximise satisfaction' or, alternatively, cancel out each others' 'irrationalities' in a large population. These principles are untenable because the consumer is now less able than ever to satisfy the assumption of maximising satis-

faction through application of her skill; further, the influence of brand cults and mass media homogenise her 'irrationalities', which are now an important source of influence in the market place. The basis of the second model (B) is motivation, in that it is assumed that the consumer can be manipulated into satisfying her wishes, however irrelevant the cues or promotion. The third model (C) demands a number of new features for Decision Theory to apply: *firstly*, a theory of group (family) decision processes; *secondly*, a facility for buying information; *thirdly*, a method for studying peripheral decision making; *fourthly*, an account of the behaviour of external decision makers.

In addition to Theory, what implications do the views put forward here have for research techniques? In many cases, out-of-date (Type A) budgeting is assumed; that is, expenditures on individual items are researched without taking into account competitive expenditures (Type B). Psychological research often implicitly assumes Type B behaviour; the methods are lengthy, demanding the cooperation of the respondent in dramatizing his or her behaviour. Whilst appropriate for some decisions, it seems clear that certain new orientations in technique can be usefully explored:

1. Interviews with husbands, wives and, in some cases, children, as a group, in order to reflect the family or 'joint' decisions.
2. Observation of behaviour, especially where choices cannot be articulated since the motivations for choice may be peripheral and transient.
3. Examination of sources of expert influence, and ultimately the motivations and reasoning processes of experts.

The major point is that the choice of technique depends upon the model which the researcher has in mind for the decision processes to be studied. These decision processes are undergoing change. Thus, the selection of technique must be made on the basis of the budgeting system practised by the target group and the extent to which the particular product field is likely to be subject to the features of that budgeting system.